

The complaint

Ms and Mr R complain that Royal and Sun Alliance Insurance Limited (RSA) made errors when dealing with their claim on their home buildings insurance policy and caused unnecessary distress and inconvenience when they tried to resolve the issue.

References to Ms R, or Mr R, will include the other.

RSA are the underwriters of this policy i.e. the insurer. Part of this complaint concerns the actions of the broker. As RSA have accepted they are accountable for the actions of the broker, in my decision, any reference to RSA includes the actions of the broker.

There are several parties and representatives of RSA involved throughout the complaint but for the purposes of this complaint I'm only going to refer to RSA.

What happened

On 2 December 2021 Ms and Mr R reported to RSA, their home buildings insurance provider, that they had damage to their property caused by a storm.

RSA sent out its approved loss adjuster to assess the damage and complete a report.

The claim was accepted and RSA's loss adjuster calculated the rebuild costs of their property at 140% of the sum insured. Therefore it said the sum insured was inadequate. It said that the building was underinsured by 21%. RSA adjusted the settlement amount by this percentage.

In April 2022 it was found the valuation in the policy was correct. And RSA's loss adjuster had made an error when calculating the re-build valuation.

On 22 April 2022 RSA accepted its approved loss adjuster had made errors and had miscalculated the sum insured. It accepted due to admin errors it had delayed payments and Ms and Mr R should have received payments sooner. It paid £250 compensation and £200 for potential interest earned if the payments had been received in a timelier manner.

As Ms and Mr R were not happy with RSA, they brought the complaint to our service.

Our investigator did not uphold the complaint. They looked into the case and acknowledged the upset and frustration caused to Ms and Mr R. However they said RSA had acted appropriately and responded fairly with the level of compensation offered.

As Mr R is unhappy with our investigator's view the complaint has been brought to me for a decision to be made.

What I provisionally decided - and why

In this case it is not in question that RSA's loss adjuster made an error in its valuation calculations for Ms and Mr R's property. This was due to it calculating the rebuild value as if

their house was constructed from stone. In fact only the barn conversion was built from stone and the rest of the house was self-build of other materials.

I saw that Mr R spent time contesting these findings with RSA. RSA initially defended its loss adjuster's recommendations. However eventually it acknowledged there had been an error.

RSA then accepted the buildings cover included in Ms and Mr R's buildings policy was correct and it should not have reduced its settlement offer by 21%. I saw it said it would pay the outstanding amount. It also offered compensation of £250 and recompense of £200 for potential interest earned. I also saw that RSA's approved loss adjuster also offered £250 compensation.

The issue in this case is Ms and Mr R do not feel the compensation paid by RSA fairly reflects the operational failings of the three organisations that were involved in their claim and the length of time taken to make a settlement.

I looked at the details of the policy and found the construction of the walls was clearly defined as timber. And therefore the valuation of their property had been included adequately in their policy according to BCIS rates.

I think if RSA and its approved loss adjusters had checked the policy information when it initially started to assess Ms and Mr R's claim, it would have highlighted the difference in what it had recorded the walls of their house being built of and what the policy said. It could then have checked for certainty if the walls were stone or timber before completing its valuation calculations and progressing any further with the claim. If this had been checked it would not have made the error in saying the property was underinsured.

Ms and Mr R cannot be held responsible in anyway for this error. They should not have needed to spend time proving they were adequately insured to RSA. Full settlement for the claim could have been paid from the start. If RSA had been more thorough in its processing and checking of the claim, Mr R would not have needed to spend time pushing to resolve an issue that could have been avoided.

I understand after their property was damaged by the storm it would already be a worrying time for Ms and Mr R. In such a situation there will always be some stress but the errors made by RSA and its suppliers added unnecessary additional stress to an already difficult time.

Therefore, I intend to uphold Ms and Mr R's complaint and require RSA to pay a further £500 in compensation. Making a total of £750 compensation from RSA and £200 for potential interest earned. RSA should also ensure any payments previously offered by the broker is also paid to Ms and Mr R.

Responses to my provisional decision

Mr R responded to say

- RSA had twice quoted a clause it alleged was from their policy that justified its legal position to reduce the claim. Mr R said he contested this on both occasions as it was different to the one in their policy. Mr R said he asked for the source of the quote to be confirmed but never received a reply. Mr R said the use of an incorrect legal clause on more than one occasion to justify a decision that was penalising them, raises grave concerns around how RSA operates and conducts their core business.

RSA responded to say

- The decision is disproportionate to the events that occurred. It said Ms and Mr R have already been paid £850 compensation and the increased compensation in the provisional decision is unreasonable.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

In response to Mr R's comments

Although I didn't list every point that I took into consideration in my provisional decision, I have already acknowledged that RSA got several things wrong during this claim before accepting it had made any errors. My findings have taken into account that it made mistakes when quoting the policy terms and conditions.

My decision can only look at the merits of this specific complaint. I cannot comment on RSA's overall operational process and potential issues that may occur due to the way RSA operates its core business.

In response to RSA's comments

- Ms and Mr R have not already been paid £850 by RSA. RSA have paid £250 compensation plus £200 loss of potential interest. The figure RSA have quoted includes and amount of £250 paid by RSA's appointed loss adjuster and £150 offered by the insurance broker.
- The compensation awarded is for RSA's repeated failure to identify and rectify errors made by its supply chain. And its own failures when it relied on incorrect policy clauses more than once when processing Ms and Mr R's claim. These errors caused avoidable stress to Ms and Mr R. As RSA have accepted responsibility for this complaint it should pay a further £500. The total compensation due from RSA is £750.

Based on the evidence I've reviewed, I maintain my provisional decision and require RSA to pay Ms and Mr R a further £500 in compensation.

My final decision

For the reasons I have given I uphold this complaint.

I require Royal and Sun Alliance Insurance Limited to pay Ms and Mr R a total of £750 in compensation and £200 for potential interest earned. Less anything already paid.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms R and Mr R to accept or reject my decision before 27 April 2023.

Sally-Ann Harding
Ombudsman